# HAS THE PANDEMIC CHANGED YOUR RETIREMENT EXPECTATIONS?

Were your best laid plans turned upside down due to the COVID-19 pandemic? Over the past year, many of us have had to shelve vacations and postpone important milestone events due to the pandemic. Stay-at-home orders also caused many of us to reassess our plans and goals. For instance, in a recent CIBC survey, a quarter of respondents said they feel the pandemic has increased the cost of retiring.

"Whatever shifting priorities or changes you've made as a result of the pandemic, it's essential you factor them into your retirement plans," says Jamie Golombek, Managing Director, Tax and Estate Planning, CIBC Private Wealth Management.

Here are three steps you can take today to help you stay on track to reach your retirement dreams.

## 1. Review your short- and long-term goals

The pandemic has caused many Canadians to adjust their vision for retirement, with some thinking they may now need to work longer to achieve what they desire. Before you temper your expectations for retirement, review your short- and long-term goals:

- **Short-term goals** (for the next year or two) include your investment goals and portfolio rebalancing, assessing cash flow, examining your debts and expenses and reviewing your health, critical illness, disability and long-term care insurance.
- **Long-term goals** (for the future) include things like your retirement savings goals, life insurance coverage and estate planning strategies and plans for your legacy.

Following a review, we can help you make any necessary adjustments to your portfolio's asset mix or your savings plan. Also, it's a good idea to revaluate your insurance plans to ensure that you maintain sufficient coverage to protect your family and your estate.

## 2. Re-evaluate your time horizon to retirement

The economic impact of the pandemic may have changed the timing of your retirement. Maybe the stay-at-home orders caused you to find renewed passion in your work and re-evaluate your plans to retire. If you experienced a reduction in your income, perhaps you've decided you need to continue working longer than originally planned.

Whatever the impact of COVID-19 on your retirement horizon, it's important to re-evaluate your retirement savings and income needs. As a general rule of thumb, your retirement savings need to replace 70% to 80% of your current income to maintain a similar lifestyle after you retire. However, depending on your desired lifestyle, you may require a substantially higher retirement income. Reviewing your current savings and investments, expected sources of retirement income and your estimated retirement income needs can help determine whether your plans are on track.

## 3. Take advantage of investment vehicles that may help to reduce taxes

Both Registered Retirement Savings Plans (RRSPs) and Tax-Free Savings Plans (TFSAs) may provide substantial tax benefits.

In the case of RRSPs, contributions are tax deductible (if you have sufficient RRSP contribution room) and taxes are deferred on income and growth earned on investments in the plan. Withdrawals, however, are taxable. Contributions to a TFSA are not tax deductible, but income and growth earned on investments in the plan, as well as withdrawals, are not taxable.

If you don't have enough money to maximize contributions to both RRSPs and TFSAs, you need to consider your tax rate today compared to your tax rate in the future to choose which plan is best for you. Our report *Just do it: The case for tax-free investing* has further information that may help you determine the best investment strategy for your personal situation.

*Although the pandemic has meant challenges for everyone, taking these three steps and having a solid plan in place can help you stay on track to achieving your retirement dreams. This is an important time for us to work together on your wealth journey. We're always happy to discuss your retirement plan and make any necessary adjustments.*



736 | 02/2021